

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Market Dominant Product Prices  
Standard Mail  
PHI Acquisitions, Inc.

Docket No. MC2014-21

Market Dominant Product Prices  
PHI Acquisitions, Inc. (MC2014-21)  
Negotiated Service Agreement

Docket No. R2014-6

CHAIRMAN'S INFORMATION REQUEST NO. 2

(Issued March 21, 2014)

To clarify the basis of the Postal Service's request to add a PHI Acquisitions, Inc. (PHI) negotiated service agreement (Agreement) to the market dominant product list,<sup>1</sup> the Postal Service is asked to provide written responses to the following questions. Answers should be provided to individual questions as soon as they are developed, but no later than March 26, 2014.

1. 39 C.F.R. § 3010.42(f) requires that the Postal Service use the Commission's accepted analytical principles to calculate the projected change in net financial position. The methodology in the Postal Service's workpapers, "PHI\_NSA\_Financials.FINAL.xls" does not conform to the Commission approved methodology affirmed in Order No. 738.<sup>2</sup> Please provide revised workpapers using the Commission approved methodology. Please ensure that the

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<sup>1</sup> Notice of the United States Postal Service of Filing of Contract and Supporting Data and Request to Add PHI Acquisitions, Inc. Negotiated Service Agreement to the Market-Dominant Product List, March 5, 2014 (Notice).

<sup>2</sup> Docket No. RM2010-9, Order Terminating Proceeding, May 27, 2011, at 14-15 (Order No. 738).

calculations take into account FSS Flats volumes as well as any adjustment to the thresholds in accordance with Section III.D of the Agreement. Notice, Attachment B at 5-7.

2. Please confirm that the rebate tiers will be applied in a graduated manner (*i.e.*, if volume increased 15 percent above the quarterly baseline threshold in a given quarter, two-thirds of that volume would receive a 10 percent rebate and one-third would receive a 15 percent rebate). If not confirmed, please explain.
3. The Agreement gives PHI a 20 percent rebate on eligible volume greater than 18 percent above quarterly baseline thresholds. These rebates are referred to as Tier C rebates. *Id.* at 7.
  - a. Please confirm that for years 4 and 5 of the Agreement, the unit contribution for volumes qualifying for Tier C rebates is 0.2 cents and 0.3 cents respectively. If not confirmed, please explain.
  - b. Please explain any contingencies built into the Agreement that ensure discounted volume contribution exceeds estimated unit cost.
4. The Postal Service states that “[t]he NSA applies to pieces mailed as Standard Mail Carrier Route; therefore, all volume under the NSA is subject to the postal monopoly.” *Id.* Attachment E at 5. Please explain how the catalogs mailed under the Agreement are subject to the postal monopoly.

By the Chairman.

Ruth Y. Goldway